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TAGS: [EAID](#) [EAGR](#) [EINV](#) [SOCI](#) [ECON](#) [KMCA](#) [RW](#)
SUBJECT: RWANDA EAGER TO TAKE GREATER OWNERSHIP OF FOREIGN
AID

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Classified By: CDA Anne Casper, reasons 1.4 (b) (d)

¶1. (SBU) SUMMARY: During a February 4-5 annual meeting with development partners to review progress and efforts to make aid more effective, the Government of Rwanda (GOR) proposed to limit the number of sectors in which each donor country works in order to reduce transaction costs and risks of duplication. USG assistance specifically would be in the health, agriculture and employment/capacity-building sectors. The target date for completing the discussions and reaching agreement on a division of labor is June 2010. END SUMMARY.

¶2. (SBU) Finance Minister John Rwangombwa chaired the sixth annual GOR and development partner (DP) retreat on February 4 and 5, with permanent secretaries from each government ministry attending. Representatives from donor countries, multilaterals, international NGOs and local civil society attended. Each bilateral and multilateral partner reported on progress toward achieving self-selected targets set last year, which were based on the Paris Declaration of Aid Effectiveness indicators. The USG met its goals, which were to increase our assistance as part of the GOR's national budget annex and increase the percent of analyses undertaken by the USG jointly with other DPs.

¶3. (SBU) GOR officials delivered presentations on reducing aid transaction costs, challenges and priorities for the government's development agenda and the global financial crisis impacts and prospects on Rwanda. A key presentation was on the GOR's proposal on donors' division of labor, which will affect most donor country programs, including the U.S. The GOR intends to upload these presentations on its website at <http://www.devpartners.gov.rw/>.

Division of Labor - Moving Beyond Just Talking

¶4. (SBU) During the February 4-5 meeting, the GOR floated a concrete proposal to reduce each DP's future support to three sectors, down from an average of six, currently. Of the 15 sectors under the country's Economic Development and Poverty Reduction Strategy, it was proposed that the U.S. focus in health (with DFID and Belgium), agriculture (with Canada, Japan, African Development Bank, European Commission, and World Bank), and employment/capacity building (with Germany). Other sectors currently financed with U.S. assistance include education, decentralization, justice, environment and water/sanitation. (Comment: The GOR's push to take greater

charge of assistance it receives from donor countries and non-government organizations continues unabated. For some time now, Rwanda has expressed its clear preference for budget support (estimated at about 35 - 40 percent of total official development assistance), as opposed to project support which is the more common aid modality for the U.S. Such a division of

Labor, which would limit donors to fewer sectors, has been discussed over the past 18 months in Rwanda; for the first time, however, the GOR has made a specific proposal. End Comment.)

15. (SBU) Rwangombwa and his permanent secretary both emphasized that the Paris Declaration and the Accra Agenda for Action (2008) commit GOR and donors to enhance division of labor. They believe that doing so will reduce their own transaction costs and donor overheads, reduce the risk of duplication, and improve the quality of program delivery through increased use of delegated cooperation and "silent" partnerships. Exceptions to the proposed limited sectoral engagement by DPs included basket funding by some donors (e.g., Public Financial Management, statistics), emergency and regional assistance, and projects/programs under current strategies. An expectation in limiting donors to three sectors was that total official development assistance would not fall, an assumption that was questioned by some including the U.S. delegation.

Division of Labor - What Next?

16. (SBU) The GOR proposed that each development partner consult with its respective headquarters, hold bilateral

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discussions with the Ministry of Finance, have another discussion in late March, and then finally complete the division of labor exercise by June 30, 2010.

Development Progress and Priorities

17. (SBU) Rwanda's determination to take charge of its development agenda results in part from the rapid progress it has made in most sectors. The GOR has met or exceeded 80 percent of the targets it set in the area of economics, 75 percent in the social sector, and 91 percent in the governance sector. The December 2009 Comprehensive African Agriculture Development Plan (CAADP) review in Kigali highlighted the impressive 15 percent growth in agriculture in 2008 and continued growth in 2009. Contraceptive prevalence increased from 10 percent in 2005 to 27 percent in 2008 while assisted births increased from 35 percent to 63 percent during the same period. Key challenges remain, including poor post-harvest management, limited access to quality health care and one of the highest rates of chronic malnutrition among young children in Africa, all areas currently receiving support from the USG. Priorities include scaling up agriculture intensification, accelerating free mosquito net distribution, strengthening the campaign for good nutrition and building local government capacity. Another specific priority was to strengthen the Institute for Legal Practice and Development, a government organization currently receiving support under the MCC Threshold Program.

Global Financial Crisis - How did Rwanda fare in 2009?

18. (SBU) The Finance Ministry's permanent secretary presented a retrospective of Rwanda's anticipated impacts from the global financial crisis a year ago, what actually

happened during 2009, and prospects for the coming year. Tourism and remittances, expected to decline by up to 40 percent, fared better with tourism revenues falling only 6 percent. However, both coffee prices and volumes fell more than expected - with coffee export earnings declining by about 21 percent in 2009. Total export values were \$140 million in 2009, compared to \$183 million a year earlier. The expected decline in import values did not occur and the volume of consumer imports increased substantially (40 percent). Total imports increased by 8 percent in 2009 with a value of approximately \$1.23 billion, widening the balance of payments deficit. Looking forward, inflation is falling from above 20 percent over a year ago to close to 5 percent. Mineral prices--Rwanda's largest export--are showing signs of increasing and the GOR has met tax revenue targets. GDP growth is projected to remain positive and above the sub-Saharan African average.

COMMENT

¶9. (SBU) Rwanda's characteristic strong ownership and management of its aid agenda is increasingly evident. We saw it at the CAADP meetings in December; we saw it during the most recent PEPFAR Country Operating Plan and Framework Agreement negotiations; and we see it in GOR/donor forums, such as the retreat that just ended. Limiting development partners' direct engagement to fewer areas, promoted under the Paris Declaration and Accra Agenda, is one way of cutting the heavy work burden senior GOR officials face in dealing with development partners--the GOR highlighted the World Bank's many missions as particularly labor-intensive for the GOR. There remain a number of unanswered questions, including timing for the division-of-labor transition, exceptions to the three-sector rule, and how broadly one can interpret an intervention to fit an assigned sector, etc.

¶10. (C) Comment continued: During a February 11 meeting with visiting State AF/C office director Cynthia Akuetteh, the Ministry of Foreign Affairs permanent secretary raised the issue and appeared to understand that limiting the US to three sectors could be problematic for GOR interests as well. After Emboff noted that Rwanda's Millennium Challenge

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Threshold programs in police, media, and justice don't fit within the proposed sectors, the permanent secretary suggested that donors could work outside their three sectors as "silent partners," adding that the GOR and USG should have a "frank discussion" to determine the way ahead on this question. Post will discuss this issue with Washington counterparts and the GOR in coming weeks. END COMMENT.
CASPER